

**Mills Township  
Ogemaw County, Michigan  
Financial Report  
With Supplemental Information  
June 30, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>MILLS TOWNSHIP</b>	County <b>OGEMAW</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/9/05</b>	Date Accountant Report Submitted to State: <b>12/16/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
		✓
		✓
		✓

Certified Public Accountant (Firm Name)

**ROBERTSON & CARPENTER, CPAs, LLP**

Street Address

**103 E MAIN STREET, PO BOX 69**

City

**ROSE CITY**

State

**MI**

ZIP

**48654**

Date

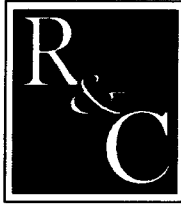
**12/15/05**

Accountant Signature

*Robey C Robertson, CPA*

Mills Township  
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# ROBERTSON & CARPENTER, LLP

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

### INDEPENDENT AUDITOR'S REPORT

Township Board  
Mills Township  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mills Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of June 30, 2005, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2005 on our consideration of Mills Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 26 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills Township's basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Robertson & Carpenter, CPAs, LLP*

Robertson & Carpenter, LLP  
Certified Public Accountants  
December 9, 2005

## Management's Discussion and Analysis

As management of Mills Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005.

### Financial Highlights

- The assets of Mills Township exceeded its liabilities at the close of the most recent fiscal year by \$1,386,860 (*net assets*). Unrestricted net assets for the governmental activities were \$110,476. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$500,818, a decrease of \$68,481 in comparison with the prior year. Approximately 22% of the total amount, \$109,246, is available for spending at the township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$109,246 or 23% percent of total general fund expenditures.
- The Township's total debt decreased by \$9,000 (7%) during the current fiscal year, due to required annual principal payments.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mills Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Fire Equipment Fund, Police Fund, and Garbage Fund. Data from the other two non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Mills Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Fire Fund, Fire Equipment Fund, Police Fund and Garbage Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 and 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-25 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 26 through 30 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining statements can be found on pages 31-32 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,386,860 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$1,006,940, or 73%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (\$394,944, or 28%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$142,760, or 10%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in both categories of net assets, the government as a whole, as well as for its separate governmental activities.

### Township's Net Assets

	Governmental Activities June 30, 2005	Governmental Activities June 30, 2004
Current and Other Assets	\$ 564,229	\$ 658,325
Noncurrent assets:		
Capital Assets, Net	1,006,940	1,051,648
Total Assets	1,571,169	1,709,973
Current Liabilities	58,809	81,789
Long-term Liabilities Outstanding	125,500	134,500
Total Liabilities	184,309	216,289
Net Assets:		
Invested in Capital Assets, Net of Debt	881,440	917,148
Restricted	394,944	433,776
Unrestricted	110,476	142,760
Total Net Assets	\$ 1,386,860	\$ 1,493,684

The Township's net assets decreased by \$106,824 during the current fiscal year discussed below.



The Township's net assets decreased by \$106,824 during the current fiscal year discussed below.

### Township's Changes in Net Assets

	<u>Governmental Activities June 30, 2005</u>	<u>Governmental Activities June 30, 2004</u>
<b>Revenue:</b>		
Program Revenue:		
Charges for services	\$257,691	\$232,936
Capital Grants	2,400	-
General Revenue:		
Property Taxes	355,117	340,335
State-Shared Revenues	296,803	314,140
Interest Earnings	9,852	26,788
Other	40,910	43,735
<b>Total Revenue</b>	<u>962,773</u>	<u>957,934</u>
<b>Expenses:</b>		
General Government	262,798	253,382
Public Safety	325,437	295,154
Public Works	308,743	329,024
Health and Welfare	10,742	8,514
Community Development	31,821	42,189
Recreation and Culture	123,742	163,384
Interest on Long-Term Debt	6,314	6,741
<b>Total Expenses</b>	<u>1,069,597</u>	<u>1,098,388</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(106,824)</u>	<u>(140,454)</u>
Net Assets, Beginning of Year	1,493,684	1,634,138
<b>Net Assets, End of Year</b>	<u>\$1,386,860</u>	<u>\$1,493,684</u>

**Governmental activities.** Governmental activities decreased the Township's net assets by \$106,824, accounting for all of the change in net assets of the Township. This was primarily attributed to depreciation on township assets.

### Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$500,818, a decrease of \$68,481 in comparison with the prior year. Approximately 23% of this total amount (\$109,246) constitutes *unreserved fund balance* in the General Fund, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in special revenue funds and are not available for current expenditure. The portion of unreserved fund balance that has been designated by the Township Board for capital asset acquisition is \$10,557.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$109,246. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 23% of total general fund expenditures.

The fund balance decreased this fiscal year by \$37,372 in the General Fund.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The township budgets were not amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$1,006,940 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions for the fiscal year totaled \$53,963. Road improvements represented \$31,215 of this amount.

#### **Township's Capital Assets** (net of depreciation)

	Governmental Activities	Governmental Activities
Infrastructure	\$30,565	\$ 0
Land	232,135	232,135
Land improvements	62,967	66,694
Buildings and improvements	160,398	164,454
Furniture and Equipment	520,875	588,365
<b>Total</b>	<b>\$1,006,940</b>	<b>\$1,051,648</b>

Additional information on the Township's capital assets can be found in note 5 on page 22 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had an installment purchase agreement outstanding of \$125,500. The installment purchase agreement was used for a portion of the cost of a fire truck purchased for use by the township fire department.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2004-2005 the Township received \$296,803 in state shared revenue, representing 67% of the revenues in the General Fund. This represented a decrease of \$12,443 compared to the prior year. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mills Township  
Supervisor's Office  
2441 Greenwood Road  
Prescott, Michigan 48756

Mills Township  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash (Note 3)	\$ 501,039
Receivables	15,434
Due from governmental units (Note 4)	47,756
Capital assets-net	<u>1,006,940</u>
Total assets	<u>1,571,169</u>
 <b>Liabilities</b>	
Accounts payable	54,550
Accrued and other liabilities	4,259
Noncurrent liabilities (Note 7):	
Due within one year	10,000
Due in more than one year	<u>115,500</u>
Total liabilities	<u>184,309</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	881,440
Restricted:	
Private roads	17,831
Fire	125,208
Fire equipment	148,116
Garbage service	103,789
Unrestricted	<u>110,476</u>
Total net assets	<u>\$ 1,386,860</u>

See accompanying notes to financial statements.

Mills Township  
Statement of Activities  
Year ended June 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government:				
Governmental Activities:				
General government	\$ 262,798	\$ 25,063	\$ -	\$ -
Public safety	325,437	805	-	-
Public works	308,743	231,823	-	2,400
Health and welfare	10,742	-	-	-
Community development	31,821	-	-	-
Recreation and culture	123,742	-	-	-
Interest on long term debt	6,314	-	-	-
Total governmental activities	1,069,597	257,691	-	2,400

General Revenues:  
Property taxes  
State-shared revenues  
Interest and investment earnings  
Other

Total general revenues

**Change in Net Assets**

**Net assets** - beginning of year

**Net assets** - end of year

See accompanying notes to financial statements.

Net (Expense) Revenue  
and Changes  
in Net Assets

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Changes in  
Net Assets  
Governmental  
Activities

---

\$	(237,735)
	(322,232)
	(76,920)
	(10,742)
	(31,821)
	(123,742)
	<u>(6,314)</u>

(809,506)

355,117
296,803
9,852
<u>40,910</u>

702,682

(106,824)

1,493,684

\$	<u><u>1,386,860</u></u>
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Mills Township  
Governmental Funds  
Balance Sheet  
June 30, 2005

	General Fund	Fire Fund	Fire Equipment Fund
<b>Assets</b>			
Cash and investments	\$ 90,762	\$ 128,584	\$ 147,932
Accounts receivable	10,060	213	83
Due from other funds	9,805	271	101
Due from other governmental units	47,756	-	-
Total assets	<u>\$ 158,383</u>	<u>\$ 129,068</u>	<u>\$ 148,116</u>
<b>Liabilities</b>			
Accounts payable	\$ 43,648	\$ 3,860	\$ -
Due to other funds	-	-	-
Deferred revenue	5,489	-	-
Total liabilities	<u>49,137</u>	<u>3,860</u>	<u>-</u>
<b>Fund balances</b>			
Unreserved:			
General Fund	98,689	-	-
Special Revenue Funds	-	125,208	148,116
Designated (Note 13)	10,557	-	-
Total fund balances	<u>109,246</u>	<u>125,208</u>	<u>148,116</u>
Total liabilities and fund balances	<u>\$ 158,383</u>	<u>\$ 129,068</u>	<u>\$ 148,116</u>

**Fund Balances - Total Governmental Funds**

Elimination of due to and due from governmental funds

    Due to

    Due from

Amounts reported for governmental activities in the statement of net assets are different because:

    Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

        Cost of capital assets

        Accumulated depreciation

    Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures

    Accounts receivable are expected to be collected over several years and are not available to pay for current year expenditures

    Long term liabilities are not due and payable in the current period and are not reported in the fund

        Installment purchase agreement

        Compensated absences

    Accrued interest is not included as a liability in governmental funds

**Net Assets of Governmental Activities**

See accompanying notes to financial statements.

Police Fund	Garbage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 15,974	\$ 103,789	\$ 13,998	\$ 501,039
239	-	3,970	14,565
361	-	-	10,538
-	-	-	47,756
<u>\$ 16,574</u>	<u>\$ 103,789</u>	<u>\$ 17,968</u>	<u>\$ 573,898</u>
\$ 7,042	\$ -	\$ -	\$ 54,550
9,532	-	137	9,669
-	-	3,372	8,861
<u>16,574</u>	<u>-</u>	<u>3,509</u>	<u>73,080</u>
-	-	-	98,689
-	103,789	14,459	391,572
-	-	-	10,557
<u>-</u>	<u>103,789</u>	<u>14,459</u>	<u>500,818</u>
<u>\$ 16,574</u>	<u>\$ 103,789</u>	<u>\$ 17,968</u>	<u>\$ 573,898</u>
			500,818
			9,669
			(9,669)
			1,872,487
			(865,547)
			3,372
			5,489
			(125,500)
			(3,214)
			(1,045)
			<u>\$ 1,386,860</u>



Mills Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2005

	General Fund	Fire Fund	Fire Equipment Fund
<b>Revenues</b>			
Taxes and penalties	\$ 70,854	\$ 104,261	\$ 40,814
Licenses and permits	9,031	-	-
State grants	296,803	2,400	-
Charges for services	17,258	805	-
Fines and forfeits	150	1,700	-
Special assessments	-	-	-
Interest and rentals	17,246	2,370	2,428
Other	30,009	20	-
Total revenues	<u>441,351</u>	<u>111,556</u>	<u>43,242</u>
<b>Expenditures</b>			
Current:			
General government	237,520	-	-
Public safety	-	116,751	-
Public works	67,737	-	-
Health and welfare	10,742	-	-
Community development	31,821	-	-
Recreation and culture	108,556	-	-
Capital outlay	6,225	16,523	-
Debt service:			
Principal retirement	-	-	9,000
Interest and fiscal charges	-	-	6,389
Total expenditures	<u>462,601</u>	<u>133,274</u>	<u>15,389</u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	(21,250)	(21,718)	27,853
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers (out)	(16,122)	-	-
Total other financing uses	<u>(16,122)</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	(37,372)	(21,718)	27,853
<b>Fund balances - Beginning of year</b>	<u>146,618</u>	<u>146,926</u>	<u>120,263</u>
<b>Fund balances - End of year</b>	<u>\$ 109,246</u>	<u>\$ 125,208</u>	<u>\$ 148,116</u>

See accompanying notes to financial statements.

<u>Police Fund</u>	<u>Garbage Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 139,079	\$ -	\$ 109	\$ 355,117
-	-	-	9,031
-	-	-	299,203
-	-	-	18,063
-	-	-	1,850
-	212,353	13,909	226,262
411	1,233	774	24,462
-	-	-	30,029
<u>139,490</u>	<u>213,586</u>	<u>14,792</u>	<u>964,017</u>
-	-	-	237,520
149,663	-	-	266,414
-	224,185	47,386	339,308
-	-	-	10,742
-	-	-	31,821
-	-	-	108,556
-	-	-	22,748
-	-	-	9,000
-	-	-	6,389
<u>149,663</u>	<u>224,185</u>	<u>47,386</u>	<u>1,032,498</u>
(10,173)	(10,599)	(32,594)	(68,481)
10,173	-	5,949	16,122
-	-	-	(16,122)
<u>10,173</u>	<u>-</u>	<u>5,949</u>	<u>-</u>
-	(10,599)	(26,645)	(68,481)
-	114,388	41,104	569,299
<u>\$ 0</u>	<u>\$ 103,789</u>	<u>\$ 14,459</u>	<u>\$ 500,818</u>

Mills Township  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
June 30, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(68,481)
---	----	----------

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(98,671)
Capital Outlay		<u>53,963</u>

(44,708)

Special assessment revenues are recorded in the  
statement of activities when the assessment is  
set; they are not reported in the funds until  
collected or collectible within 60 days of year end

(2,829)

Revenues from the sale of Cemetery lots are recorded in the  
statement of activities when the cemetery lot is sold; they  
not reported in the funds until collected or collectible  
within 60 days of year end

1,585

Accrued interest is recorded in the statement of activities  
when incurred; it is not reported in governmental  
fund until paid

75

Repayments of installment purchase agreement principal is an  
expenditure in the governmental funds, but not in the statement  
of activities (where it reduces long-term debt)

9,000

Accumulated employee sick and vacation pay is  
recorded when earned in the statement of  
activities

(1,466)

**Change in Net Assets of Governmental Activities**

\$ (106,824)

See accompanying notes to financial statements.

Mills Township  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2005

	Trust Fund- Pension Fund	Agency Funds
<b>Assets</b>		
Cash	\$ -	\$ 5,344
Investments - as fair value	-	-
	<u>-</u>	<u>-</u>
Total assets	-	<u>\$ 5,344</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 287
Due to other funds	-	869
Due to other governments	-	4,198
	<u>-</u>	<u>4,198</u>
Total liabilities	-	<u>\$ 5,354</u>
<b>Net Assets - Held in Trust for Pension Benefits</b>	<u>\$ 0</u>	

See accompanying notes to financial statements.

Mills Township  
Fiduciary Fund  
Statement of Changes in Net Assets  
Year ended June 30, 2005

	Trust Fund- Pension Fund
<b>Additions</b>	
Contributions	
Employer	
Investment earnings	\$ -
	<u>296</u>
Total Additions	296
 <b>Deductions</b>	
Benefits	
Administrative expenses	26,231
	<u>32</u>
Total deductions	26,263
 <b>Net increase</b>	 (25,967)
 <b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of the year	 <u>25,967</u>
End of the year	\$ <u><u>0</u></u>

See accompanying notes to financial statements.

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Mills Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statements of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

The Fire Equipment Fund is used to record property tax revenue, interest earnings and other revenue restricted for the purchase of fire equipment protection purposes.

The Police Fund is used to record property tax revenue, interest earnings and other revenue restricted for police protection purposes.

The Garbage Fund is used to record special assessment revenue and interest earnings restricted for garbage collection purposes.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds include the Tax Collection Fund used to account for property taxes collected and disbursed to other taxing authorities by the Township as required by law and the Trust and Agency Fund used to account for payroll liabilities withheld and remitted.

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayer of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2004 taxable value of the Township was \$82,064,745. The 2004 tax levy was .8468 mills for general operating purposes, .4973 mills for the Fire Equipment Fund, 1.2704 mills for the Fire Fund, and 1.6936 mills for the Police Fund. The millage levied raised tax revenue of \$69,279 in the General Fund, \$103,944 in the Fire Fund, \$40,672 in the Fire Equipment Fund and \$138,587 in the Police Fund. These amounts are recorded as tax revenue.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.



Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Compensated Absences - The Township allows full-time employees to accumulate earned but unused vacation and sick pay benefits. The government-wide financial statements accrue all vacation pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 - Stewardship, Compliance and Accountability**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and activity center. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. During the year, the budgets were not amended.

The Township has an accumulated fund balance deficit in the Road Funds #3 and #4. The deficit was a result of upgrade costs paid during the year that will be reimbursed through special assessments levies payable over a five-year period.

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General - Public works	\$ 25,000	\$ 67,737	\$ 42,737
General-Community development	-	31,821	31,821
General-Recreation and culture	100,000	108,556	8,556
General-Capital outlay	-	6,225	6,225
Fire-Public safety	88,900	116,751	27,851
Fire-Capital outlay	-	16,523	16,523
Garbage-Public works	212,667	224,185	11,518

**Note 3 - Deposits and Investments**

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

Government-wide Financial Statement Captions:	
Cash and cash equivalents	<u>\$ 506,383</u>
Notes to Financial Statements:	
Deposits	\$ 506,333
Cash on hand	50
Total	<u>\$ 506,383</u>

**Investment and deposit risk:**

Interest rate

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 3 - Deposits and Investments (Continued)**

**Investment and deposit risk:**

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial credit risk. At June 30, 2005, \$122,911 of the Township's bank balances of \$509,216 was exposed to custodial credit risk because it was uninsured.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

**Note 4 - Receivables**

Receivables as of year-end for the Township's individual major funds and the nonmajor and fiduciary funds in aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Major and Non- Major Funds	Total
Taxes receivable	\$ 167	\$ 672	\$ 839
Accounts receivable	9,893	-	9,893
Special assessments	-	3,833	3,833
Less: Allowance for uncollectibles	-	-	-
Total receivables	<u>\$ 10,060</u>	<u>\$ 4,505</u>	<u>\$ 14,565</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Private road special assessments	\$ 3,372	\$ -
Cemetery lot sales	5,489	-
Totals	<u>\$ 8,861</u>	<u>\$ -</u>
Total deferred revenue	<u>\$ 8,861</u>	<u>\$ 8,861</u>

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 5 - Capital Assets**

Capital asset activity of the Township's governmental activities were as follows:

**Governmental Activities**

<u>Assets</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated - Land	\$ 232,135	\$ -	\$ -	\$ 232,135
Capital assets being depreciated:				
Infrastructure	-	31,215	-	31,215
Land improvements	75,828	-	-	75,828
Buildings	233,657	1,328	-	234,985
Furniture and equipment	1,296,562	21,420	19,658	1,298,324
Subtotal	1,838,182	53,963	19,658	1,872,487
<u>Accumulated Depreciation</u>				
Infrastructure	-	650	-	650
Land improvements	9,134	3,727	-	12,861
Buildings	69,203	5,384	-	74,587
Furniture and equipment	708,197	88,910	19,658	777,449
Subtotal	786,534	98,671	19,658	865,547
Net capital assets being depreciated	1,051,648	(44,708)	-	1,006,940
Net capital assets	\$ 1,051,648	\$ (44,708)	\$ 0	\$ 1,006,940

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 23,812
Public safety:	
Fire Department	49,832
Police Department	9,191
Public works	650
Recreation	15,186
Total governmental activities	\$ 98,671

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 6 - Receivables, payables and transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 9,805	General Fund	\$	-
Gypsy Moth Fund	-	Gypsy Moth Fund		137
Fire Fund	271	Fire Fund		-
Fire Equipment Fund	101	Fire Equipment Fund		-
Police Fund	361	Police Fund		9,532
Garbage Fund	-	Garbage Fund		-
Fiduciary Funds	-	Fiduciary Funds		869
Total	<u>\$ 10,538</u>	Total	\$	<u>10,538</u>
<u>Transfer In</u>		<u>Transfer Out</u>		
Police Fund	\$ 10,173	General Fund	\$	16,122
Gypsy Moth Fund	5,949			
Total Transfer In	<u>\$ 16,122</u>	Total Transfer Out	\$	<u>16,122</u>

**Note 7 - Long-term Debt**

The following is a summary of the installment purchase agreements outstanding as of June 30, 2005:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Purchase Agreement- Assigned to Department of Agriculture-U.S.A.	2015	4.75%	\$ 134,500	\$ (9,000)	\$ 125,500	\$ 10,000
Total long-term debt			<u>\$ 134,500</u>	<u>\$ (9,000)</u>	<u>\$ 125,500</u>	<u>\$ 10,000</u>

**Installment Purchase Agreement**

Installment purchase agreement assigned to US Department of Agriculture in the amount of \$166, 500 to finance purchase of fire truck from Kovatch Mobile Equipment Corp. Annual payment due April 27 with interest at 4.75%.

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 10,000	\$ 5,961	\$ 15,961
2007	10,000	5,486	15,486
2008	12,000	5,011	17,011
2009	12,000	4,441	16,441
2010	13,000	3,871	16,871
2011	13,000	3,254	16,254
2012	13,000	2,636	15,636
2013	14,000	2,019	16,019
2014	14,000	1,354	15,354
2015	14,500	689	15,189
Total	<u>\$ 125,500</u>	<u>\$ 34,722</u>	<u>\$ 160,222</u>

**Note 8 - Risk Management**

Mills Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 9 - Pension Plan**

On October 26, 2004, Mills Township closed out the Mills Township Group Pension Plan, which is a defined contribution pension plan with the Manulife Financial.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of employee and Township contributions, as well as earnings in the account.

The contract requires contributions based on annual salary. There were no covered wages or required contributions for the fiscal year prior to the termination of the plan.

**Note 10 - Other Postemployment Benefits**

In addition to the pension benefits described in Note 9, the Township provides post-retirement health benefits to all full time employees eligible for health care benefits prior to December 12, 2003. During the fiscal year ended June 30, 2005, two retirees were eligible for postemployment health benefits. The Township pays the cost of health insurance for retirees, with no contribution recognized by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums come due. During the year, the post-retirement health insurance costs were \$5,868.

**Note 11 - Road Fund**

The Township contracts for maintenance of thirteen private roads with the Ogemaw County Road Commission. The costs incurred are reimbursed through special assessments.

The Township is periodically required to pay for grading and graveling costs to upgrade the private roads before renewing their maintenance contract with the Ogemaw County Road Commission. The assessments against benefited properties for upgrade costs are payable over a five-year period.

Mills Township  
Notes to Financial Statements  
June 30, 2005

**Note 12 - Commitments**

**Sanitation Service** - The Township levied a special assessment of \$65.42 per dwelling on the 2004 tax roll for residential trash collection. The Township has contracted with Waste Management, Inc. to provide the weekly trash collection service. The Township is billed monthly by the contractor for this service.

**Police Protection** - The Township has contracted with the Ogemaw County Sheriff Department for two full-time police officers to provide law enforcement for the Township, as well as additional part-time summer help. The cost per quarter for the full-time officers for calendar year 2005 and 2004 was \$33,913 and \$33,282, respectively.

**Note 13 - Designated Fund Balance**

The Township Board has designated \$10,557 in the General Fund for capital asset acquisitions in future periods.

**Required Supplemental Information**



Mills Township  
Budgetary Comparison Schedule - General Fund  
Year ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	2005	2005		Amended
	Original	Amended	Actual	Budget
	Budget	Budget		
<b>Fund Balance - Beginning of year</b>	\$ 145,411	\$ 145,411	\$ 146,618	\$ 1,207
<b>Resources (Inflows)</b>				
Taxes and fees	70,175	70,175	70,854	679
Licenses and permits	9,800	9,800	9,031	(769)
State grants	300,000	300,000	296,803	(3,197)
Charges for services	10,700	10,700	17,258	6,558
Fines and forfeits	100	100	150	50
Interest and rentals	10,760	10,760	17,246	6,486
Other	5,000	5,000	30,009	25,009
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>406,535</u>	<u>406,535</u>	<u>441,351</u>	<u>34,816</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	246,700	246,700	237,520	9,180
Public works	25,000	25,000	67,737	(42,737)
Health and welfare	11,550	11,550	10,742	808
Community development	-	-	31,821	(31,821)
Recreation and culture	100,000	100,000	108,556	(8,556)
Capital outlay	-	-	6,225	(6,225)
Operating transfers out	18,700	18,700	16,122	2,578
Total charges to appropriations	<u>401,950</u>	<u>401,950</u>	<u>478,723</u>	<u>(76,773)</u>
<b>Fund Balance - end of year</b>	<u>\$ 149,996</u>	<u>\$ 149,996</u>	<u>\$ 109,246</u>	<u>\$ (40,750)</u>

Mills Township  
Budgetary Comparison Schedule - Fire Fund  
Year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Amended Budget
	2005 Original Budget	2005 Amended Budget		
<b>Fund Balance - Beginning of year</b>	\$ 163,578	\$ 163,578	\$ 146,926	\$ (16,652)
<b>Resources (Inflows)</b>				
Taxes and fees	100,815	100,815	104,261	3,446
State grants	-	-	2,400	2,400
Charges for services	3,000	3,000	805	(2,195)
Fines and forfeits	3,000	3,000	1,700	(1,300)
Interest and rentals	-	-	2,370	2,370
Other	-	-	20	20
Amounts available for appropriation	<u>106,815</u>	<u>106,815</u>	<u>111,556</u>	<u>4,741</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	88,900	88,900	116,751	(27,851)
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	16,523	(16,523)
Debt service	-	-	-	-
Total charges to appropriations	<u>88,900</u>	<u>88,900</u>	<u>133,274</u>	<u>(44,374)</u>
<b>Fund Balance - end of year</b>	<u>\$ 181,493</u>	<u>\$ 181,493</u>	<u>\$ 125,208</u>	<u>\$ (56,285)</u>

Mills Township  
 Budgetary Comparison Schedule - Fire Equipment Fund  
 Year ended June 30, 2005

	Budgeted Amounts			Variance with
	2005	2005		Amended
	Original	Amended	Actual	Budget
	Budget	Budget		Budget
<b>Fund Balance - Beginning of year</b>	<u>\$ 119,651</u>	<u>\$ 119,651</u>	<u>\$ 120,263</u>	<u>\$ 612</u>
<b>Resources (Inflows)</b>				
Taxes and fees	36,076	36,076	40,814	4,738
Interest and rentals	1,500	1,500	2,428	928
Other	-	-	-	-
Amounts available for appropriation	<u>37,576</u>	<u>37,576</u>	<u>43,242</u>	<u>5,666</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	40,000	40,000	-	40,000
Debt service	15,389	15,389	15,389	-
Total charges to appropriations	<u>55,389</u>	<u>55,389</u>	<u>15,389</u>	<u>40,000</u>
<b>Fund Balance - end of year</b>	<u><u>\$ 101,838</u></u>	<u><u>\$ 101,838</u></u>	<u><u>\$ 148,116</u></u>	<u><u>\$ 46,278</u></u>

Mills Township  
 Budgetary Comparison Schedule - Police Fund  
 Year ended June 30, 2005

	Budgeted Amounts			Variance with
	2005	2005		Amended
	Original	Amended	Actual	Budget
	Budget	Budget		
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Taxes and fees	135,000	135,000	139,079	4,079
Interest and rentals	300	300	411	111
Other	-	-	-	-
Transfers from other funds	18,700	18,700	10,173	(8,527)
Amounts available for appropriation	<u>154,000</u>	<u>154,000</u>	<u>149,663</u>	<u>(4,337)</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	154,000	154,000	149,663	4,337
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>154,000</u>	<u>154,000</u>	<u>149,663</u>	<u>4,337</u>
<b>Fund Balance - end of year</b>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

Mills Township  
 Budgetary Comparison Schedule - Garbage Fund  
 Year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Amended Budget
	2005 Original Budget	2005 Amended Budget		
<b>Fund Balance - Beginning of year</b>	\$ 127,382	\$ 127,832	\$ 114,388	\$ (13,444)
<b>Resources (Inflows)</b>				
Taxes and fees	-	-	-	-
Special assessments	208,856	208,856	212,353	3,497
Interest and rentals	1,000	1,000	1,233	233
Other	-	-	-	-
Amounts available for appropriation	<u>209,856</u>	<u>209,856</u>	<u>213,586</u>	<u>3,730</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	212,667	212,667	224,185	(11,518)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contributions to other funds	-	-	-	-
Total charges to appropriations	<u>212,667</u>	<u>212,667</u>	<u>224,185</u>	<u>(11,518)</u>
<b>Fund Balance - end of year</b>	<u>\$ 124,571</u>	<u>\$ 125,021</u>	<u>\$ 103,789</u>	<u>\$ (21,232)</u>

**Other Supplemental Information**

Mills Township  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2005

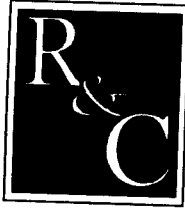
	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Road Fund</u>	<u>Gypsy Moth</u>	
<b>Assets</b>			
Cash and investments	\$ 13,998	\$ -	\$ 13,998
Accounts receivable	3,833	137	3,970
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 17,831</u>	<u>\$ 137</u>	<u>\$ 17,968</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	137	137
Due to other governments	-	-	-
Deferred revenue	3,372	-	3,372
Total liabilities	<u>3,372</u>	<u>137</u>	<u>3,509</u>
<b>Fund Balances:</b>			
Unreserved	<u>14,459</u>	<u>-</u>	<u>14,459</u>
Total fund balance	<u>14,459</u>	<u>-</u>	<u>14,459</u>
Total liabilities and fund balances	<u>\$ 17,831</u>	<u>\$ 137</u>	<u>\$ 17,968</u>

Mills Township  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year ended June 30, 2005

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Road Fund</u>	<u>Gypsy Moth</u>	
<b>Revenue</b>			
Taxes and fees	\$ -	\$ 109	\$ 109
Special assessments	13,909	-	13,909
Charges for services	-	-	-
Interest and rentals	360	414	774
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>14,269</u>	<u>523</u>	<u>14,792</u>
<b>Expenditures</b>			
General government	-	-	-
Public works	17,332	30,054	47,386
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>17,332</u>	<u>30,054</u>	<u>47,386</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	(3,063)	(29,531)	(32,594)
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	-	5,949	5,949
Total other financing sources (uses)	<u>-</u>	<u>5,949</u>	<u>5,949</u>
<b>Net Change in Fund Balances</b>	(3,063)	(23,582)	(26,645)
<b>Fund Balances - Beginning of year</b>	<u>17,522</u>	<u>23,582</u>	<u>41,104</u>
<b>Fund Balances - End of year</b>	\$ <u>14,459</u>	\$ <u>0</u>	\$ <u>14,459</u>



## APPENDICES



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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Township Board  
Mills Township  
Mills County, Michigan

We have audited the financial statements of Mills Township as of and for the year ended June 30, 2005, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mills Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mills Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter, CPAs, LLP

Rose City, Michigan

December 9, 2005



ROBERTSON & CARPENTER, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

December 9, 2005

To the Township Board  
Mills Township

We have audited the financial statements of Mills Township for the year ended June 30, 2005, and have issued our report thereon dated December 9, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 1, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Mills Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Mills Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mills Township are described in Note 1 to the financial statements. We noted no transactions entered into by Mills Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Mills Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Mills Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Mills Township's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Mills Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Mills Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Robertson & Carpenter, CPAs, LLP*

ROBERTSON & CARPENTER, LLP  
Certified Public Accountants